For Immediate Release:
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Kucinich: ‘Contrary to a popularly held belief that the Government went too far in the Bank of America-Merrill Lynch deal, Our investigation reveals that what is remarkable is what the Government did NOT do.”

Washington D.C. (June 24, 2009) – Congressman Dennis Kucinich (D-OH), Chairman of the Domestic Policy Subcommittee of the Oversight and Government Reform Committee, today released the following statement after internal committee documents were leaked to the press:

“Ordinarily I would not make a statement in advance of a Committee hearing, but documents leaked by the Committee’s minority create a misimpression that must be addressed in order for the public to have clarity about the Government’s role in Bank of America’s acquisition of Merrill Lynch,” said Kucinich.

“Contrary to a popularly held belief that the Government went too far in the Bank of America-Merrill deal, our investigation reveals that it is what the Government did NOT do that is remarkable.

“In two meetings in December, 2008, Bank of America’s Ken Lewis asserted that he had only recently become aware of the deteriorating situation at Merrill. He asserted that he believed he could justify invoking the MAC clause to back out of the deal, and he asserted that he needed considerable help from the government, including $13 billion more in new cash, as well as protection from Merrill Lynch losses. Staff and officials at the Fed looked more closely at the basis for Lewis’s assertions and determined that they were “somewhat suspect.”

“The Fed found, in contradiction to Ken Lewis’s representations, that Bank of America failed to do adequate due diligence in acquiring Merrill Lynch. The Fed found that Bank of America had known about accelerating losses at Merrill since mid-November, when shareholders could have used that information to decide on ratification of the merger. . And senior officials at the Fed believed that Bank of America could be in violation of securities laws for failing to inform shareholders about the Merrill losses known in mid-November. Furthermore, they believed that Ken Lewis’s threat of invoking a MAC was a “bargaining chip” and was not credible, that Bank of America was experiencing its own losses independent of Merrill Lynch and needed to be bailed out itself, and that there were serious doubts about the competence of Bank of America’s top management.

“Yet, in spite of the doubts felt about Ken Lewis’s management of Bank of America, the Fed’s leadership orchestrated an aid package that attached no meaningful conditions to the money. The Fed required no changes whatsoever in Bank of America’s deficient corporate leadership. The Fed even gave Bank of America more money than Ken Lewis had originally asked for.
“The disconnection between the Fed’s analysis of what went wrong at Bank of America, and what the Fed was willing to do about it, is significant for all of us, and will be the subject of tomorrow’s hearing,” said Kucinich.

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